

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

**HB 7007 – SB 7001
FIRST EXTRAORDINARY SESSION
January 12, 2010**

SUMMARY OF BILL: Effective upon becoming law, postpones requirement for certain sole proprietors and partners to carry workers' compensation insurance on themselves until 12:01 a.m. on February 28, 2011. After 12:01 a.m. on February 28, 2011, sole proprietors or partners engaged in the construction industry will not be required to carry workers' compensation on themselves unless they are working as an intermediate contractor or subcontractor contractor and will be required to carry workers' compensation on any subcontractor, employee or worker not otherwise covered by workers' compensation.

ESTIMATED FISCAL IMPACT:

**Decrease State Revenue - \$265,200/FY09-10/General Fund
\$26,500/FY09-10/Tennessee Occupational Safety and
Health Act (TOSHA)**

**\$424,300/FY10-11/General Fund
\$42,400/FY10-11/TOSHA**

Assumptions:

- A decrease in the number of persons obtaining workers' compensation insurance will decrease the total amount of premiums paid and as a result will decrease the amount of premium taxes collected. The workers' compensation premium tax rate is four percent plus a 0.4 percent surcharge. Premium taxes collected from the surcharge are earmarked to administer the provisions of the Tennessee Occupational Safety and Health Act in accordance with Tenn. Code Ann. § 56-4-206.
- Premium taxes are collected equally each month during the fiscal year.
- According to the Department of Commerce and Insurance, no verifiable data exist on the number of persons affected. The Department estimates a range from 945 to 3,360 non-exempt persons in affected businesses with an estimated payroll ranging from \$30,000 to \$45,000 per partner or sole proprietor in each business. According to the Department, current workers' compensation policy rates range from 10 percent to 20 percent of payroll costs.
- Based on this range, the annual reduction in premium revenue could range between approximately \$125,000 (945 x \$30,000 x 10% x 4.4%) and \$1,300,000 (3,360 x \$45,000 x 20% x 4.4%). The approximate mid-point of the range is \$700,000.

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- The bill will become effective on February 1, 2010. The reduction in revenue from reduced premium taxes in FY09-10 will occur from February 1, 2010 – June 30, 2010 and in FY10-11 from July 1, 2010 – February 28, 2011.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "James W. White". The signature is fluid and cursive, with the first name "James" written in a larger, more prominent script than the last name "White".

James W. White, Executive Director

/jaw